County of Los Angeles
CHIEF EXECUTIVE OFFICE
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
http://ceo.lacounty.gov

WILLIAM T FUJIOKA
Chief Executive Officer

June 20, 2014

To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

Vermont Corridor Development Alternatives

In response to the Board's direction on January 28, 2014 and February 11, 2014, we are providing the attached report on Vermont Corridor Development Alternatives. The report contains an analysis of alternatives to address blighted conditions at and around the intersection of South Vermont Avenue and Sixth Street in the City of Los Angeles through the replacement of deteriorating, obsolescent County facilities, and redevelopment of adjacent sites.

The report focuses on County facilities, which currently house headquarter staff for the Departments of Parks and Recreation, Community and Senior Services, and Mental Health, and studies various development options at the existing site and in combination with an offsite location. It also assesses the potential economic impacts of the alternatives to the surrounding community.

The Chief Executive Office and Community Development Commission will present the report to the Board for consideration on July 1, 2014. Should you have any questions on the report, your staff may contact Santos H. Kreimann at (213) 974-1186 or Sean Rogan at (626) 586-1500.

WTF:SHK
DJT:zu

Attachment

C: Executive Office, Board of Supervisors
County Counsel
Community Development Commission

Vermont Corridor Development Alternatives

June 24, 2014

A joint report by the Chief Executive Office and the Community Development Commission

Vermont Corridor
Development Alternatives

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Background

Board actions of January 28 and February 11, 2014 directed the Chief Executive Office (**CEO**) and the Community Development Commission (**CDC**) to report back with alternatives for addressing the blighting conditions caused by County owned facilities near the intersection of South Vermont Avenue and Sixth Street in the City of Los Angeles (**Vermont Corridor**). Inclusive of the Board actions were directives to source alternatives for both economic renewal to the Vermont Corridor, as well as suitable locations for the replacement or relocation of the County department headquarters in the area.

Currently, the Departments of Mental Health (**DMH**), Parks and Recreation (**DPR**), Community and Senior Services (**DCSS)**, and Children and Family Services (**DCFS**) have administrative offices in the Vermont Corridor, some County-owned and some leased. The County-owned facilities have experienced a high level of physical deterioration and the working conditions for the County staff operating from these facilities requires immediate resolution. Additionally, these aged facilities occupy prominent parcels, and there is significant opportunity for economic renewal of the neighborhood through redevelopment of the sites.

Construction site selection

Interim moves generate substantial costs and disruption of services. The report focused on the avoidance of interim moves for County employees in any development scenario. The site referred to as **Lot 69**, located on South Vermont Avenue, midway between Fifth and Sixth Streets, was identified as the keystone for the delivery of this goal. A new building can be constructed on **Lot 69** while normal operations continue at the existing adjacent facilities. This site can also take advantage of the existing County owned parking structure on Shatto Place. Finally, once construction on **Lot 69** is completed and County employees are relocated, County-owned parcels currently blighted by these dilapidated facilities will be available for redevelopment.

Development alternatives

The report focuses on two alternative development scenarios. Both alternatives are consistent with the County's Facility Location Selection Policy, adopted by your Board on July 24, 2012.

1. **Full Retention:** 450,000 sq. ft. facility on the Lot 69 site to accommodate **DMH**, **DPR**, and **DCSS**. This alternative would minimize disruption to County employees.

2. **Partial Retention:** 300,000 sq. ft. facility on the Lot 69 site to accommodate **DMH**, while the County would acquire and refurbish an existing building, between 200,000 and 250,000 sq. ft., to accommodate **DPR** and **DCSS**. This alternative is the most

expedient delivery for eliminating blight, replacing County facilities and providing opportunity for economic renewal to the area.

- Sale of the 433 S. Vermont property, which is the current site of the Parks and Recreation Department, for purposes of medium density mixed use or residential uses could generate $2.5 million in sale proceeds and between $175,900 and $183,400 in annual property and sales tax revenue.

- Sale of the 550 S. Vermont (Department of Mental Health) and 3175 W. 6th Street (Department of Community and Senior Services) for the same uses could generate between $10.1 million and $30.8 million in sale proceeds and between $1.0 million and $1.9 million in annual property and sales tax revenue.

- Private development of all or a portion of the existing Vermont Corridor site is also predicted to provide a greater financial contribution to the area's economy than a continued County presence.

- Due to restrictions on rent subvention at a County-owned facility, DCFS would remain in their current leased space in both scenarios.

Alternative	Construction/ acquisition cost	Delivery timeline	Pros	Cons
**Full Retention - **450,000 sq. ft. build in Vermont Corridor	$184.9 - $246.6 million	24-36 months	No disruption to employee routines or services	Larger County footprint in the Vermont Corridor decreases opportunities for economic development Entitlement and engineering issues create some uncertainty of delivery timeline
Partial Retention - 300,000 sq. ft. build in Vermont Corridor - 200,000 sq. ft. acquisition and refurbishment	$190.8 - $223.6 million	15-24 months	Expedites construction of new facilities and increases opportunities for economic development in the Vermont Corridor	Some employee relocation required

Single solicitation development model

The Board actions also directed the financing model utilized by the CDC in developing its new facility in the city of Alhambra (the Alhambra model) to be applied to the analysis of alternatives presented within the report. The Alhambra model is unique to the County process for structuring capital projects in that it utilizes only a single procurement for the entirety of the project.

- The CDC Alhambra headquarters is a 120,000 sq. ft., three-level, steel and glass, Class “A” office building. The project includes an adjacent, six-level, 190,000 sq. ft., 582 space parking structure. The project was entitled in 85 days. Construction, including site preparation and grading, was completed in only 54 weeks. Hard and soft costs for development, entitlement, contingencies, and construction were $225 per sq. ft. The project concluded with a certification for LEED Gold.

The Alhambra model allows two project benefits that are absent from the routine procurement process, fast track of project delivery and enhanced protections to County. These components significantly accelerate project delivery times while assuring project savings.

1. **Fast-track:** Feasibility and predevelopment activities occur concurrently. County maintains contractual privity thru pre-development phase to assure control of design.

2. **Enhanced protections:** County is not contractually obligated during the development phase and with exception to unforeseen site conditions on a County-owned site, is isolated from any cost overruns.

Public sector procurement process is the single greatest contributor to cost escalation. The duplication and delay from typical procurement is a far greater burden on project costs then the traditional areas of focus such as labor agreements or environmental regulations. Additional benefits of the Alhambra model are:

- Rent is fixed for the entire term of lease at debt service plus operating costs only (flat lease). The flat lease structure is for the life of the lease. There are no annual or periodic bumps to the base rent.

- Tax-exempt financing further benefits the ability to deliver the lowest flat rent rates for the project.

Current County Development and Financing Model

As discussed above, the Alhambra Model reduces the time required for program development due to greater contracting flexibility. Current County contracting practices are governed by State Public Contract Code which mandates competitive selection of design, contractor, and design-build firms. Under the Alhambra Model, the developer is not subject to the provisions of the Public Contract Code, and as such, is able to reduce the development timeframe by several months. The Alhambra Model also restricts the opportunities to add or change scope, which further reduces time and cost.

The current County Capital Project Development Process, which was adopted by the Board in 1995 provides opportunities for departmental input on a project's scope throughout the design phase and into the construction phase. If the County chose to limit such input opportunities, similar savings in time and cost could be realized.

It is important to note that scope changes on projects under the planning jurisdiction of regulatory agencies such as the Office of Statewide Health Planning and Development (OSHPD) which oversees plans for acute care inpatient facilities or the Board of State and Community Corrections. (BSCC) which oversees the design of detention facilities are routinely required throughout the design and construction phases. The Alhambra Model is incompatible with the frequency and complexity of such change requirements. It is better suited to less complex building designs, such as office environments.

With respect to financing, the County's also accesses the tax-exempt markets and rent is also fixed during the term of the bonds. The County's current financing model, however, lowers overall financing costs by financing construction with short-term tax-exempt commercial paper and long-term bonds. Such an approach achieves lower costs by diminishing construction risk on the bondholder and eliminating the need to capitalize interest payments during construction, both of which contribute to lower bond yields.

Summary

In summary, the Alhambra Model does offer significant savings in time due to the increased flexibility in contracting procedures and reduced opportunities for scope changes and attendant project delays. The County can, to some extent, replicate such savings by limiting opportunities for scope changes. In terms of financing costs, the County's current financing model possesses certain structural advantages over the Alhambra Model due to the use of commercial paper.

The most cost effective model would result from a combination of the Alhambra Model's contracting and scope management policies with the County's financing model. It is estimated that development of such a hybrid model would require a minimum of six months to complete

Project Overview

On January 28, 2014, the Board directed the Chief Executive Officer (**CEO**) to report back on County-wide options for the replacement or relocation of headquarter facilities for the Departments of Mental Health (**DMH**), Parks and Recreation (**DPR**), Community and Senior Services (**DCSS**), and Children and Family Services (**DCFS**).

These facilities are currently located in close proximity to the intersection of South Vermont Avenue and Sixth Street in the City of Los Angeles ("**Vermont Corridor**") and have experienced a high level of physical deterioration. The working conditions for the County departments (**subject agencies**) operating from these facilities require immediate resolution. Additionally, these aged facilities occupy prominent parcels and the potential opportunities for economic revitalization through redevelopment of the sites need is an option that should be considered.

On February 11, 2014, the Board directed the Community Development Commission (**CDC**) to report back with an evaluation of alternatives for addressing the blighting conditions, including suitable locations for the replacement of the Vermont Corridor department headquarter facilities, consistent with the County's Facility Location Selection Policy.

- CEO has developed alternatives to resolve this facility replacement issue.

- CDC successfully applied a fast-track methodology to replace its former facilities in Monterey Park, Santa Fe Springs, and East Los Angeles, and consolidated those operations into a new facility in Alhambra (**the Alhambra model**). The Alhambra model produced a complete facility for the CDC only 18 months after the Board authorized the project. CDC will provide an evaluation of alternatives with respect to the suitability for implementation of the Alhambra model.

Evaluation process

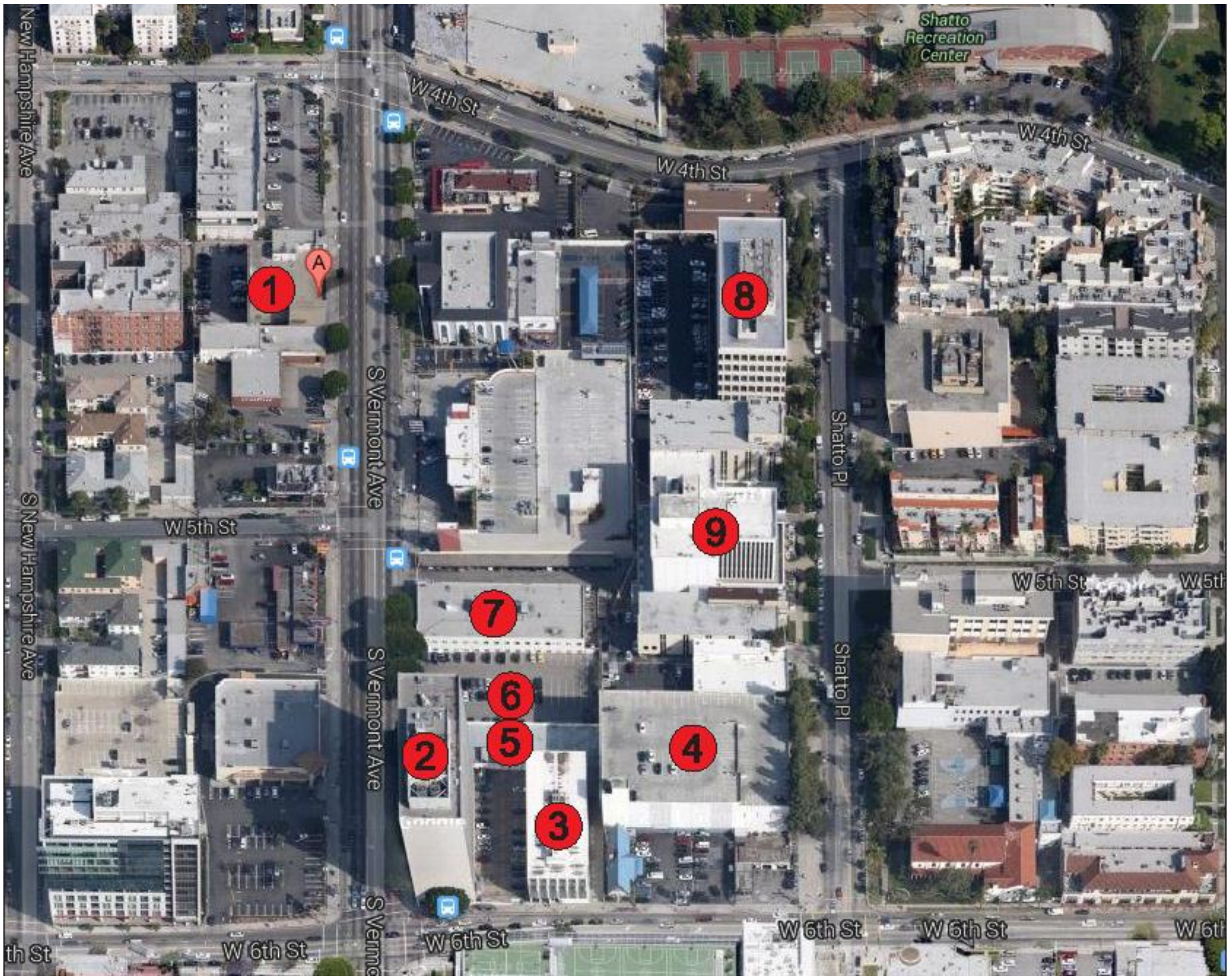
- Adherence to the County's Facility Location Selection Policy (proximity to public transit, economic development potential, location of workforce and clients served, etc.)

- Overview of possible financing mechanisms and associated development timelines.

- Engaging **subject agencies** for a needs assessment.

- Touring each property utilized by the **subject agencies**. This included County-owned as well as leased sites, parking structures and nearby sites which could be part of any consolidation of facilities.

Vermont Corridor Facilities



1) Parks - 31,862 sq ft – County-owned – 433 South Vermont Ave
2) DMH - 171,369 sq ft – County-owned – 550 South Vermont Ave
3) DCSS - 52,230 sq ft – County-owned – 3175 W 6th Street
4) Parking structure – 862 spaces – County-owned – 523 Shatto Place
5) Red-tagged building – 14,000 sq ft – County-owned – 532 South Vermont Ave
6) Parking lot (Lot 69) – County-owned – 526 South Vermont Ave
7) Parks - 31,540 sq ft – County-owned – 510 South Vermont Ave
8) DCFS - 81,912 sq ft – Leased – 425 Shatto Place
9) DCFS - 17,751 sq ft – Leased – 501 Shatto Place

Vermont Corridor Facilities

Department	Employees	Space
Community and Senior Services - 3175 W. 6th Street	307	52,230 sq ft
Parks and Recreation - 433 South Vermont	190	31,862 sq ft
- 510 South Vermont	38	31,540 sq ft
Children and Family Services - 425 Shatto Place	401	81,912 sq ft
- 501 Shatto Place	72	17,751 sq ft
Mental Health - 550 South Vermont	1005	171,369 sq ft
- 695 South Vermont	390	101,974 sq ft
- 600 South Commonwealth	600	51,693 sq ft
Total	**3003**	**540,331 sq ft**

The Vermont Corridor subject agencies currently occupy 540,331 sq. ft. of office space:

1) Community and Senior Services (DCSS) -
   - Employee count: DCSS houses a total of 307 employees in the Vermont Corridor. Approximately 301 employees are housed in the County owned building at 3175 West 6th street and the remaining employees operate from the County owned site at 510 S. Vermont.
   - Space count: DCSS County owned facility located at 3175 West 6th street comprises 52,230 sq. ft.

2) Parks and Recreation (DPR) -
   - Employee count: DPR houses a total of 228 employees in the Vermont Corridor. Approximately 190 employees are housed in the County owned building at 433 S. Vermont and the remaining employees operate from the County owned site at 510 S. Vermont.
   - Space count: DPR occupies two (2) County owned facilities, 433 S. Vermont comprises 31,862 sq. ft. and 510 S. Vermont comprises 31540 sq. ft.

3) Children and Family Services (DCFS) –
   - Employees count: DCFS houses a total of 473 employees in the Vermont Corridor. 401 employees are located at 425 Shatto place and 72 employees operate from 501 Shatto Place.
   - Space count: DCFS currently leases two sites in the Vermont Corridor. The sites both house administrative functions and comprise 99,663 sq. ft.
   - Lease termination: DCFS most significant lease is located at 425 Shatto Place. This lease represents 81,912 sq. ft. The lease expires 10/2016. The additional site at 501 Shatto Place is month to month.

4) Mental Health (DMH) –
   - Employee count: DMH houses a total of 1005 employees at 550 S. Vermont, 390 employees at the 695 S. Vermont leased location and 600 employees at the S. Commonwealth leased location.
   - Space count: DMH currently utilizes 325,036 sq. ft. of office space in the Vermont Corridor. The County owned site at 550 S. Vermont represents 171,369 sq. ft. and the remaining 153,667 sq. ft. are the two leased sites. The sites all house administrative functions. It is expected the growth of this administrative component will require additional sizing in the near term.
   - Lease termination: DMH most significant lease is located at 695 S. Vermont. This lease represents 101,974 sq. ft. The lease expires 01/31/2016 and requires a nine (9) month notice.

- CEO, CDC and respective **subject agencies** agree replacement of facilities and/or relocation of employees is required to resolve working conditions.

The Alhambra Model

The CDC Alhambra headquarter is a 120,000 sq. ft., three-level, steel and glass, Class "A" office building. The project includes an adjacent, six-level, 190,000 sq. ft., 582 space parking structure. The project was entitled in 85 days. Construction, including site preparation and grading, was completed in only 54 weeks. Hard and soft costs for development, entitlement, contingencies, and construction were $225 per sq. ft. The project's total turnkey delivery cost was $417 per sq. ft., and concluded with a certification for LEED Gold. These benefits for delivery schedules and project costs can be a model for the County to use for capital projects.

Time is money: Public sector procurement process is the single greatest contributor to cost escalation.

- The duplication of efforts and delay from typical procurement is a far greater burden on project costs then the traditional areas of focus such as labor agreements or environmental regulations.

A single-solicitation procurement: <u>One RFP for the entire project</u>, is awarded to a nonprofit entity to both develop and own the project.

- CEO would assign a consultant as project manger to create a preliminary needs assessment of departments, draft the single-solicitation RFP to engage the nonprofit entity and return to the Board for authority to fund predevelopment.

- County maintains contractual leverage throughout the design and predevelopment phase. The nonprofit entity's development team is contractually obligated to complete the project as designed and priced, by a date certain.
- Upon completion of predevelopement, CEO would return to the Board for authority to execute lease and supporting documents.

This method ensures the Vermont Corridor project will succeed in three distinct manners:

1) **Control:** A nonprofit entity is awarded a contract to execute one or multiple development agreements. The Vermont Corridor could have as many as three (3) development sites:

   a) **Lot 69:** New agency(s) facility
   b) **433 South Vermont:** Medium density residential w/ possible minimal retail
   c) **550 South Vermont/3175 West 6th Street:** High density residential w/ possible retail

   - Each of these sites would require agreements unique to the criteria set forth by the Board.
   - County Department(s) input is both required and expedited.
   - The nonprofit entity's mission statement incorporates the Board's expectations for project delivery timelines upon private developers. This ensures delivery of promised economic impact and renewal to the project area. Blight removal is tethered to construction of new agency facility(s).
   - County maintains design control with a predevelopment agreement. Development agreements and other major documents are controlled through the predevelopment agreement. Final control for decision to proceed is retained by CEO with execution of lease.

2) **Critical path:** Project delivery is identified in the single-solicitation procurement.
   - Feasibility and predevelopment occur concurrently.
   - Design delivery date is identified in the procurement.
   - County maintains contractual privity through predevelopment phase to assure control of design.
   - County is not contractually obligated during development phase and is thereby isolated from any cost overruns.

   This process significantly accelerates project delivery times, reduces project costs and enhances County protections from risk.

3) **Cost:** Time is money. Contractually identifying the delivery dates for design, as well as the project delivery, in the single-solicitation procurement secures

tremendous cost efficiencies. Other cost efficiencies incorporated in the process are:

- Rent is fixed for the entire term of lease at debt service plus operating costs only (flat lease). Flat lease structure for the life of the lease. There are no annual or periodic bumps to the base rent.
- Debt service and operating costs to be paid from administriave allocations. The Alhambra model delivered the new facility for the CDC at 82% of the cost compared to previous leased facilities.
- Tax-exempt financing further benefits the ability to deliver the lowest flat rent rates for the project.

Proposed agency location alternatives

Facility Location Selection Policy

The County's Facility Location Selection Policy, adopted by your Board on July 24, 2012, provides guidelines for evauation of alternative sites for County facilities. The Policy directs County staff to consider several criteria in evaluating alternatives, including suitability for County programs and operations, estimated acquisition or construction costs, future operational costs, proximity to public transportation, and economic development potential. CEO and CDC weighed these criteria in arriving at the specific alternatives provided below for the Board's consideration.

Construction site selection

Interim moves generate substantial costs and disruption of services. In order to avoid interim moves for County employees, the **Lot 69** site, located on South Vermont Avenue, midway between Fifth and Sixth Streets, was identified as most suitable for construction of a new facility. Construction can take place while normal operations continue at the existing adjacent facilities. This site can also take advantage of the existing County owned parking structure on Shatto Place.

Development alternatives

The report focuses on two alternative development scenarios:

1. **Full Retention:** 450,000 sq. ft. facility on the Lot 69 site to accommodate **DMH**, **DPR**, and **DCSS**.

2. **Partial Retention:** 300,000 sq. ft. facility on the Lot 69 site to accommodate **DMH**, while the County would acquire and refurbish an existing building, between 200,000 and 250,000 sq. ft., to accommodate **DPR** and **DCSS**.

- Due to restrictions on rent subvention at a County-owned facility, DCFS would remain in their current leased space in both scenarios.

These two alternatives are described in more detail below.

Full Retention

Vermont Corridor: 450,000 sq ft

This alternatives involves construction of a 450,000 sq. ft. facility on the Lot 69 site to accommodate **DMH**, **DPR**, and **DCSS**. This alternative would minimize disruption to County employees. This alternative is consistent with the County's Facility Location Selection Policy because it does not relocate any County operations or staff. The Vermont Corridor is close to downtown and accessible by public transit.

Alternative	Construction cost	Delivery timeline	Pros	Cons
Full Retention - 450,000 sq. ft. build in Vermont Corridor	$184.9 - $246.6 million	24-36 months	No disruption to employee routines or services	Larger County footprint in the Vermont Corridor decreases opportunities for economic development Entitlement and engineering issues create some uncertainty of delivery timeline

Full Retention: 450k

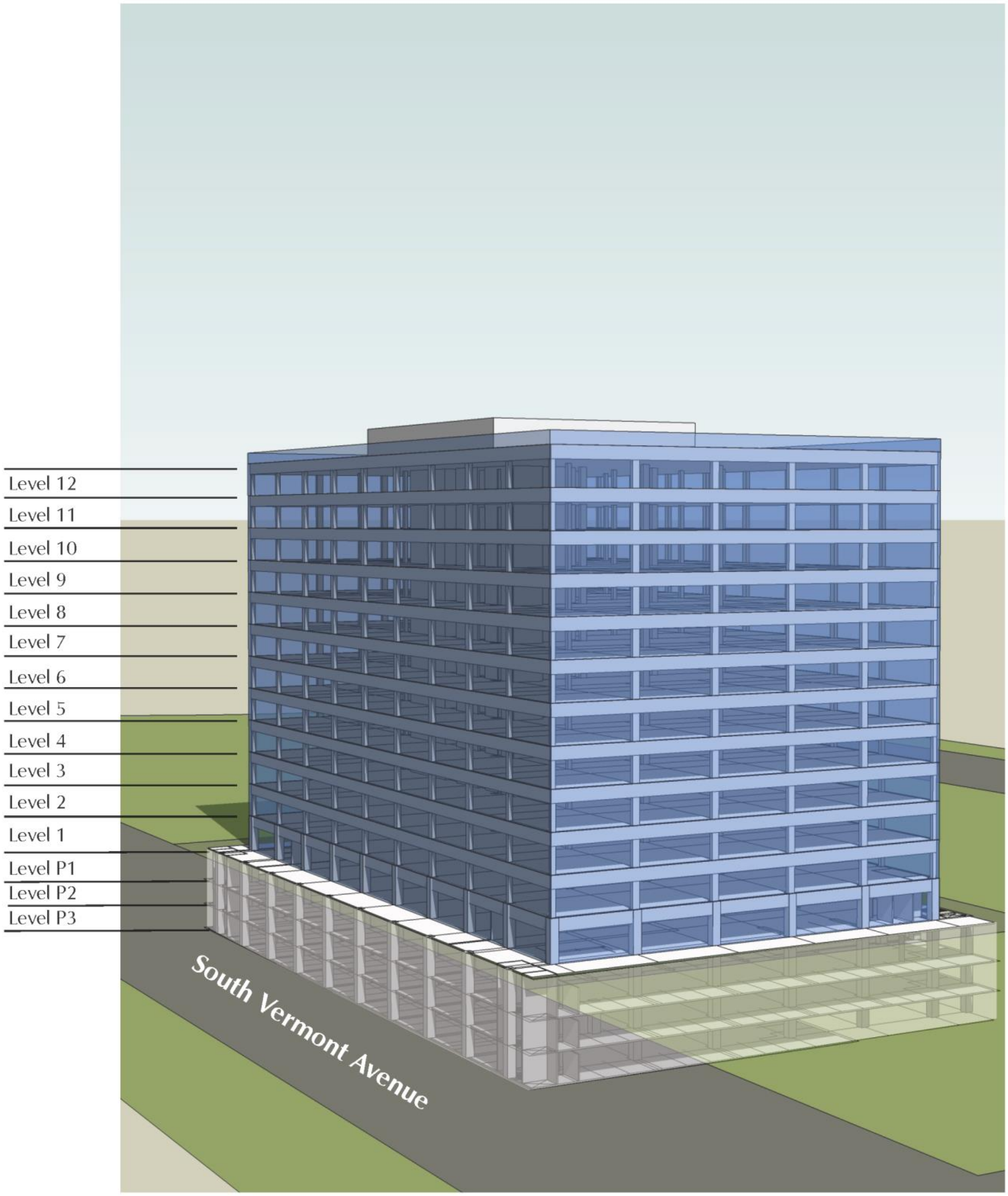
Site Plan

OFFICE -450,000 gross s.f.
12 Story Office
41,750 sf per floor

Parking @ 3/1000
450,000 gsf=1,350 stalls
Existing Structure
862 stalls
New Parking
488 stalls
On Grade- 42 stalls
Below Grade- 446stalls

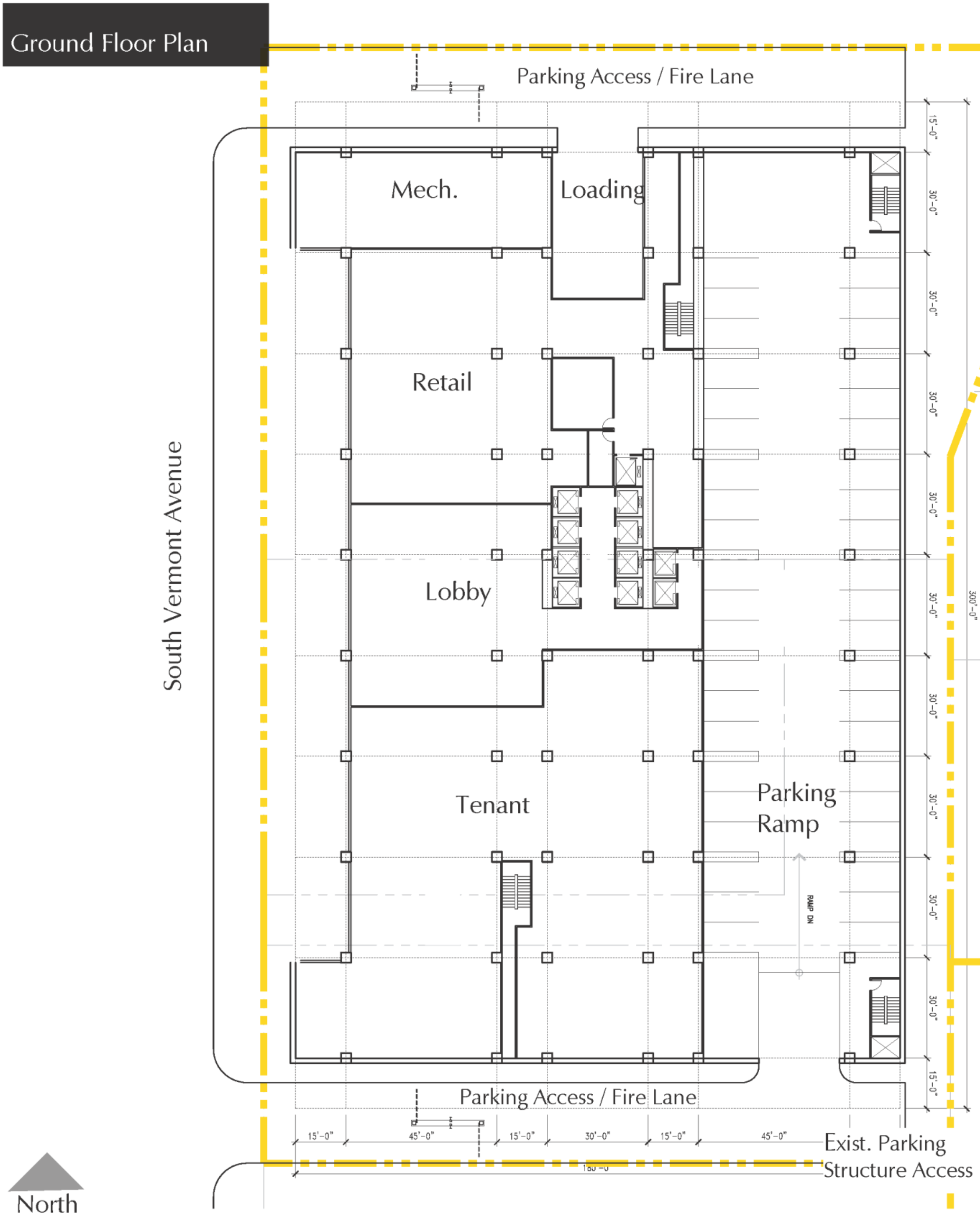
Full Retention: 450k

Stacking Plan



Full Retention: 450k

Full Retention: 450k



Partial Retention

Vertmont Corridor: 300,000 sq ft
Offsite: 200,000 – 250,000 sq ft

This alternative involves construction of a 300,000 sq. ft. facility on the Lot 69 site to accommodate **DMH**, while the County would acquire and refurbish an existing building, between 200,000 and 250,000 sq. ft., to accommodate **DPR** and **DCSS**. The Partial Retention alternative is the most expedient delivery for eliminating blight, replacing County facilities and providing opportunity for economic renewal to the area. This alternative is consistent with the County's Facility Location Selection Policy because the majority of County staff would remain in the Vermont Corridor. Any newly acquired building would also be selected by CEO in accordance with the Location Policy, with access to public transit and proximity to downtown.

Alternative	Construction/ acquisition cost	Delivery timeline	Pros	Cons
Partial Retention - 300,000 sq. ft. build in Vermont Corridor - 200,000 sq. ft. acquisition and refurbishment	\$120.8 - \$153.6 million for construction \$70 million for acquisition \$190.8 - \$223.6 million total	15-24 months	Expedites construction of new facilities and increases opportunities for economic development in the Vermont Corridor	Some employee relocation required

Partial retention: 300k

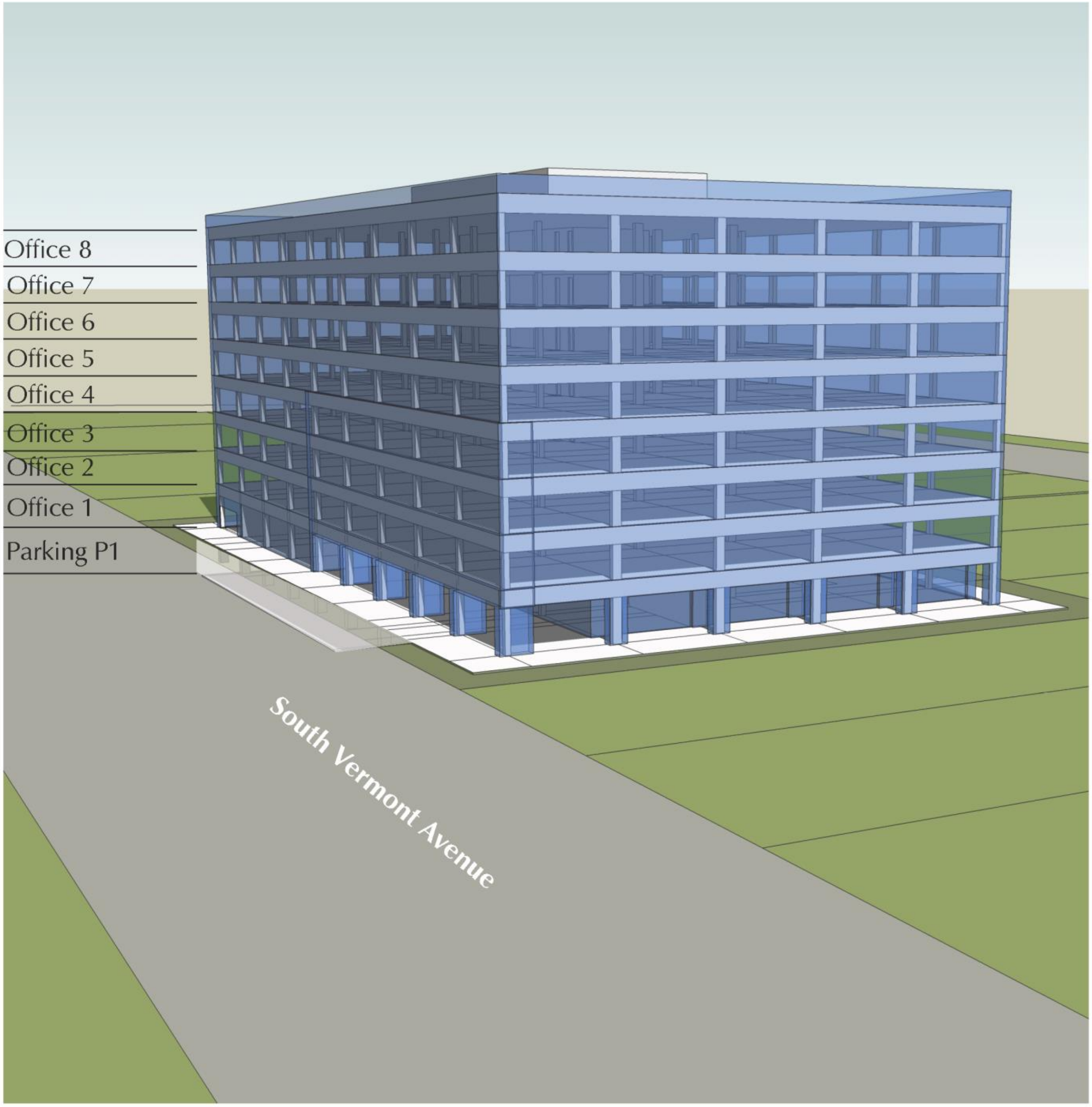
Site Plan

OFFICE -300.000 gross s.f.
8 Story Office
41,750 sf per floor

Parking @ 3/1000
300,000 gsf = 900 stalls
862 stalls existing
38 new stalls

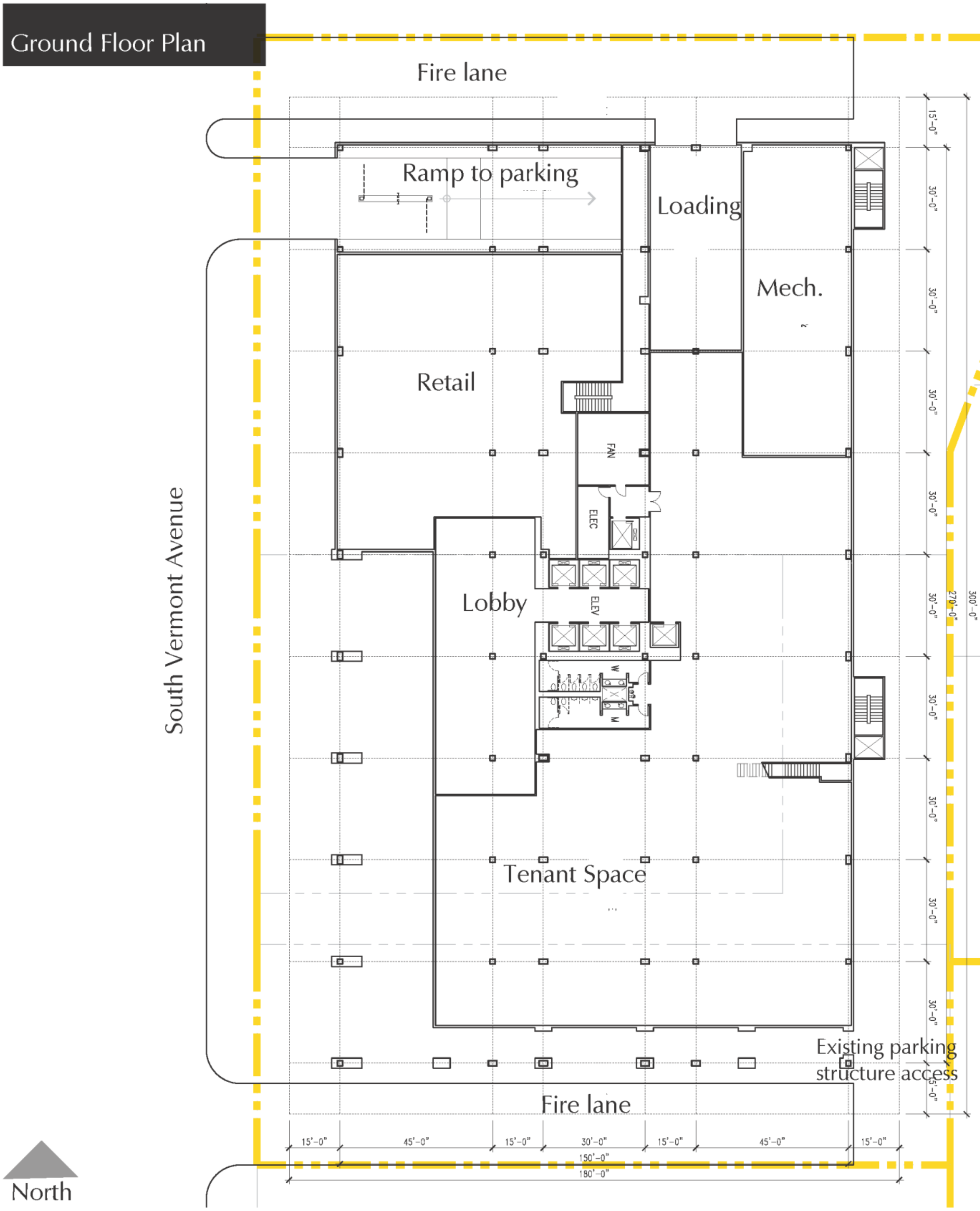
Partial retention: 300k

Stacking Plan



Partial retention: 300k

Partial retention: 300k



Development opportunities for vacated County-owned sites

The alternatives to replace the current agency facilities all identify specific development opportunities for each of the vacated sites. The neighborhood supports community based services and relatively high rental rates.

	Medium density residential	**Medium density mixed use**
Development potential for 433 S Vermont	54-unit residential development 52,200 gross building area[1] Land sale proceeds[1]: $2,548,000 Local General Fund property tax @ 1% per annum[2]: $176,400 Local sales tax @ 1% per annum [2]: $7,000	46-unit residential development 5,850 square feet retail 50,370 gross building area[1] Land sale proceeds[1]: $2,548,000 Local General Fund property tax @ 1% per annum [2]: $169,900 Local sales tax @ 1% per annum [2]: $6,000
	Medium density mixed use	**High density mixed use**
Development potential for 550 S Vermont & 3175 W 6th Street	258-unit development: 252,470 square feet of residential and 30,000 square feet of commercial[3] Land sale proceeds[3]: $30,754,000 Local General Fund property tax @ 1% per annum [2]: $976,900 Local sales tax @ 1% per annum [2]: $35,900	516-unit development: 554,136 square feet of residential and 30,000 square feet of commercial[3] Land sale proceeds[3]: $10,120,000 Local General Fund property tax @ 1% per annum [2]: $1,859,700 Local sales tax @ 1% per annum [2]: $76,800

[1] James Rabe, Keyser Marston Associates, "Development Potential – Vermont Properties – Updated," March 27, 2014: page 3-4.
[2] James Rabe, Keyser Marston Associates, "Development Potential – Vermont Properties – Updated," March 27, 2014: page 8.
[3] James Rabe, Keyser Marston Associates, "Development Potential – Vermont Properties – Updated," March 27, 2014: page 5-6.

260-unit residential: Conceptual Design

Below is an example of the type of residential development that could occur in the Vermont Corridor after employees are relocated and existing County-owned facilities become vacant. This example involves the construction of a 260-unit residential development at the corner of Vermont Avenue and 6th Street, currently occupied by the DMH and DCSS facilities at 550 South Vermont and 3175 West 6th Street. Such a development could generate approximately $30 million in land sale proceeds, as well as approximately $1 million annually in local tax revenues for the County.[4]

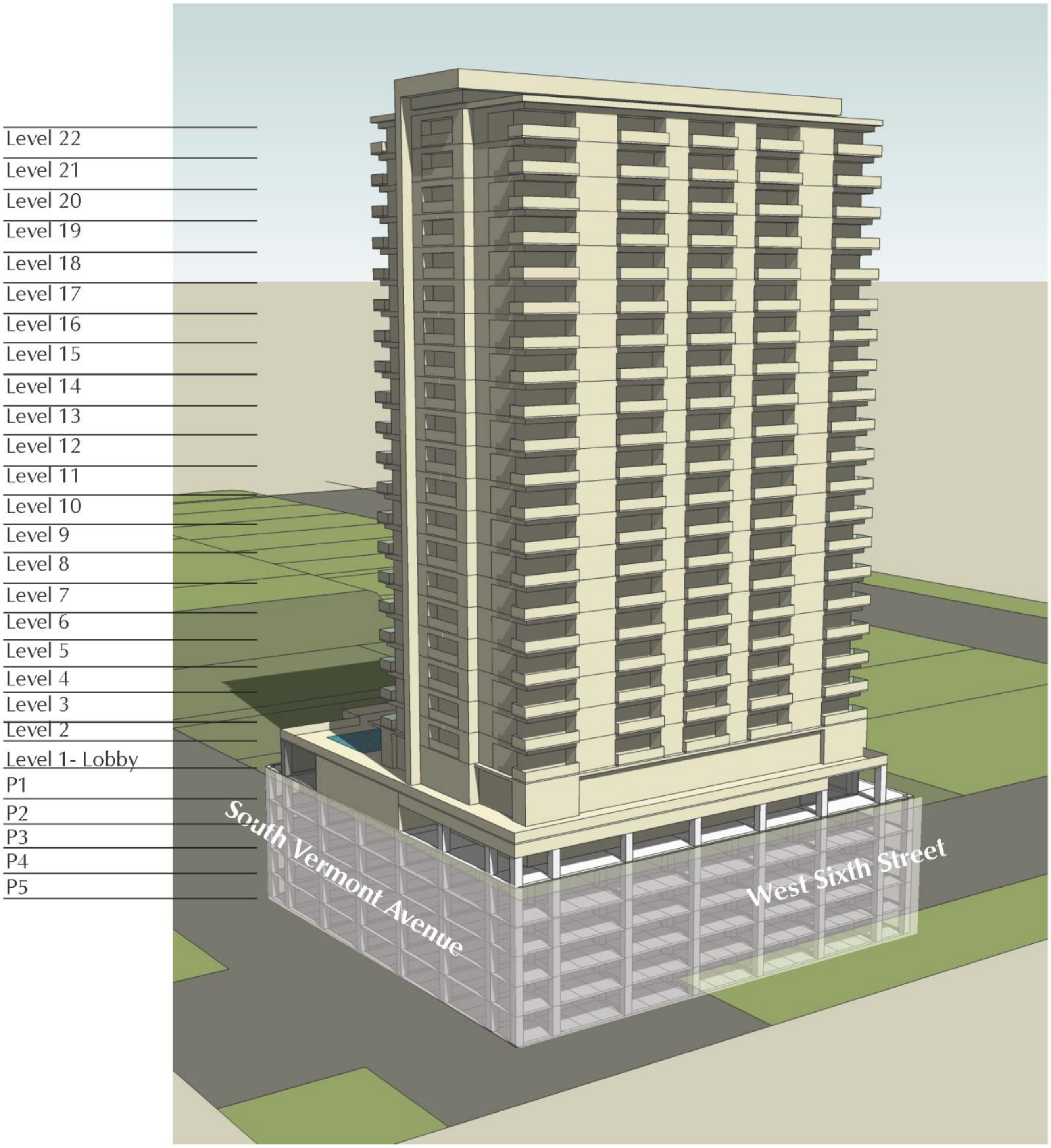
[4] James Rabe, Keyser Marston Associates, "Development Potential – Vermont Properties – Updated," March 27, 2014: page 5-8.

Site Plan

RESIDENTIAL -
6:1 FAR
260,000 gsf
22 Story Tower
+/- 260 units

Parking
377 stalls @ 1.45 stalls per unit
23 stalls retail
total 400 stalls

Stacking Plan



Conclusion

CEO and CDC recommend that the County pursue the Partial Retention development scenario described above. This alternative represents the most expedient option for eliminating blight, replacing County facilities and providing opportunity for economic renewal to the area.

The on-site and off-site projects could be complete within a 24 month time frame, as opposed to an estimated 36 months for the Full Retention alternative. Furthermore, the Partial Retention alternative avoids the potential entitlement and engineering issues of the larger building required in a Full Retention scenario. These issues could create additional uncertainty of the project delivery timeline. Finally, a smaller County footprint will increase opportunities for private development of the current departmental headquarter sites and encourage economic revitalization in the Vermont Corridor area.

Under the Partial Retention scenario, a new 300,000 square foot DMH building in the Vermont Corridor, including the cost of construction and tenant improvements ranges from $120.8 to $153.6 million. CEO estimates a cost of approximately $70 million to acquire and refurbish a building to accommodate DCSS and Parks. This brings the total cost of the recommended Partial Retention scenario, with 550,000 total square feet, to between $190.8 and $223.6 million, compared with a range of $184.9 to $246.6 million for the 450,000 square foot Full Retention scenario. Critical to meeting project goals, the Partial Retention scenario offers the greatest certainty for timely project delivery.

The Partial Retention scenario requires some relocation of County staff. Any newly acquired building would be selected by CEO in accordance with the County's Facility Selection Location Policy, with access to public transit and proximity to downtown. We believe that this compromise represents the most cost-effective alternative for providing quality administrative offices for DMH, DCSS, and Parks.

In terms of delivery model, the Alhambra Model does offer significant savings in time due to the increased flexibility in contracting procedures and reduced opportunities for scope changes and attendant project delays. The County can, to some extent, replicate such savings by limiting opportunities for scope changes. In terms of financing costs, the County's current financing model possesses certain structural advantages over the Alhambra Model due to the use of commercial paper.

The most cost effective model would result from a combination of the Alhambra Model's contracting and scope management policies with the County's financing model. It is recommended that CEO with the assistance of Public Works and the Treasurer and Tax Collector develop such a hybrid model and report back to the Board in 90 days.

260-unit residential development

If the Board elects to proceed with either of recommended alternatives, it should direct the CEO to engage a consultant as project manager to create a preliminary needs assessment of departments, and to draft the single-solicitation RFP to engage a nonprofit entity as developer. At that point, the CEO would return to the Board for authority to fund predevelopment.

Respectfully submitted,

WILLIAM T. FUJIOKA
Chief Executive Officer
County of Los Angeles

SEAN ROGAN
Executive Director
Community Development Commission
County of Los Angeles